

GAO Highlights

Highlights of [GAO-16-46](#), a report to congressional committees

Why GAO Did This Study

DOD is the government's largest purchaser of contractor-provided services. In 2008, Congress required DOD to compile and review an annual inventory of its contracted services to identify the number of contractors and the functions contractors performed. In 2011, Congress required DOD to use that inventory to inform certain decision-making processes. GAO has previously reported on the challenges DOD faces in compiling, reviewing, and using the inventory.

Congress included a provision in statute for GAO to report on the required DOD reviews and plans to use these inventories. For this report, GAO assessed the extent to which DOD components (1) reviewed contracts and activities in the fiscal year 2013 inventory of contracted services and (2) developed plans to use the inventory for decision-making. GAO reviewed relevant laws and guidance; 35 component inventory certification letters and 28 contract actions for services categorized as often supporting inherently governmental functions; and interviewed DOD acquisition, manpower, and programming officials.

What GAO Recommends

GAO recommends that DOD focus increased attention on contracts more likely to include services closely associated with inherently governmental functions during the review process, document whether proposed contracts include such functions, and clarify the relationships between the support office and key stakeholders. DOD concurred with GAO's recommendations.

View [GAO-16-46](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or tinapoli@gao.gov.

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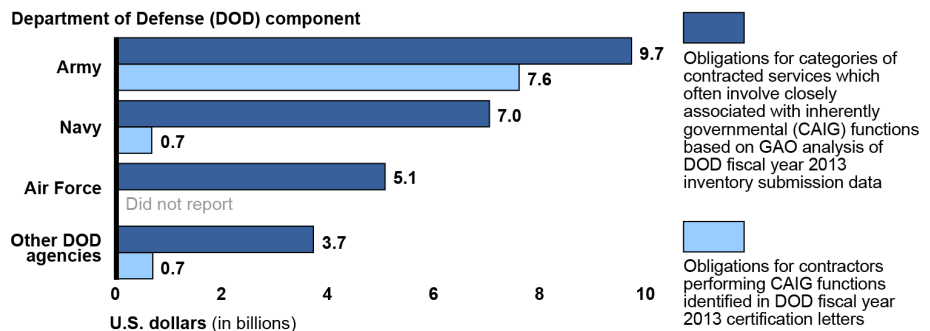
DOD INVENTORY OF CONTRACTED SERVICES

Actions Needed to Help Ensure Inventory Data Are Complete and Accurate

What GAO Found

The Department of Defense (DOD) continues to face challenges in ensuring that it fully reviews its inventory of contracted services. As of September 2015, 35 of 37 components certified they had done so and generally addressed more of the review elements required by DOD guidance than in prior years. For the second consecutive year, however, the Air Force did not submit a certification letter. Further, components may be inaccurately reporting on the extent to which contractors were providing services that are closely associated with inherently governmental functions, a key review objective to help ensure that DOD has proper oversight in place. The Office of Federal Procurement Policy indicates that certain contracted services—such as professional and management support—are more likely to include such functions. In fiscal year 2013, the Army reported that nearly 80 percent of the \$9.7 billion it obligated for these types of services included closely associated with inherently governmental functions. In contrast, the Navy and other DOD agencies reported about 13 percent of the \$10.7 billion obligated for similar contracted services included such functions.

DOD Components Reporting of Contracts That Included Activities Closely Associated with Inherently Governmental Functions Differed Significantly In Fiscal Year 2013



Source: GAO analysis of DOD's inventory of contracted services data. | GAO-16-46

GAO's review found that the lack of documentation on whether a proposed contract included such functions may result in inventory review processes incorrectly reporting these contracts. At least 12 of the 28 contract actions GAO reviewed appear to include these functions, but—of those 12—DOD components identified only one prior to contract award and only two during the review process as such. Without accurate identification of the functions contractors are performing, DOD cannot be assured that proper oversight is in place or provide data on the activities and functions contractors are performing.

Military departments have not developed plans to facilitate the use of the inventory for workforce planning or budgetary decisions nor have they appointed an accountable official to help do so, as DOD previously stated they intended to do. Further, DOD has not outlined the relationships between a management support office, military departments, and other stakeholders to facilitate the collection and use of inventory data in decision-making processes. Internal control standards state that management should define key areas of authority and responsibility to achieve management objectives and to comply with laws.